This course is about understanding and improving the decision making processes of managers and other professionals. We examine how decision makers think about difficult problems and characterize the limitations of human decision making ability. By understanding how decisions are made, we can provide guidelines and techniques for overcoming limitations and improving the quality of decision making. Some of these more structured decision aids involve mathematical models or computer software; others involve increased awareness and thoughtfulness. The goal of this course is to provide insights and tools that will enable you to support and improve your own decision making and to understand the decision making of others.

We begin by viewing a manager as a decision maker who identifies problems, assembles information, chooses courses of action, and implements these choices. We build from the individual level to consider how decisions are made by groups, in organizations, and by negotiators and market actors. Thus, managers must make decisions and implement them within a context of decisions and actions by others inside and outside their organization.

The course content is both conceptual and managerial: we will read and talk about ideas and research as well as practical situations and applications. Lectures and readings will review substantive material. Experiential exercises and case discussions will help generate involvement and appreciation for the complexities of application. A team project will focus on understanding and analyzing actual decisions in real companies.

This course is most typically taken as a Master's elective after 15.311 Organizational Processes. Although it is desirable to have taken 15.311, there are no required prerequisites for the course and students at all levels are welcome. It is also desirable, but not essential, to have completed an introductory statistics course.

Grading has several components. The midterm quiz will count 25%. As a substitute for the quiz, students may write a 5-8 page paper on a relevant in-depth topic (or conduct a modest research project on a topic of interest). Each team project (2-4 team members, 10-12 page paper) will analyze a real decision or set of decisions (e.g., which strategic partner to choose, when to launch a new product, how to implement a change, whether to leave the company) in a real company, which will count 25%. Smaller-scale written case analyses and exercises will collectively count 25%. Class participation (including 10-minute team reports) will count 25%.
The textbook is Plous, S. *The Psychology of Judgment and Decision Making*. New York: McGraw Hill, 1993. Additional readings are available as xerox packets. READINGS SHOULD BE COMPLETED PRIOR TO CLASS. For those interested in further reading, good places to start are:


**COURSE SCHEDULE**

**Wednesday 2/7 INTRODUCTION**


**Monday 2/12 LINEAR MODELS OF JUDGMENT AND OUTCOMES**


(Handout)


**Wednesday 2/14 INTUITION AND EXPERTISE**


**Tuesday 2/20 UTILITY THEORY** (Monday Holiday; Tuesday has Monday schedule)


Wednesday 2/21   PROBLEMS WITH UTILITY THEORY

   Ch. 7: Preference Reversals (pp. 79-91).

Monday 2/26   FRAMING

Plous Ch. 6: Question Wording and Framing and Ch. 9: Descriptive Models of Decision Making

Wednesday 2/28   VALUES AND PREFERENCES

Schein, E. Individuals and Careers. In J. Lorsch (ed.) Handbook of Organizational Behavior. Englewood
Keeney, R. L. & Raiffa, H. Decisions with Multiple Objectives: Preferences and Value Tradeoffs. New
York: Cambridge, 1993, pp. 34-45.
1978, 2, 595-599. (Handout)

Monday 3/5   HEURISTICS FOR JUDGMENT

Plous Ch. 10: The Representativeness Heuristic, Ch. 11: The Availability Heuristic, Ch. 13: Anchoring and
Adjustment

Wednesday 3/7   RISK

Plous Ch. 12: Probability and Risk
Venturing, 1988, 3, 97-108.

Monday 3/12   HEURISTICS FOR CHOICE

Hogarth Ch. 4: Combining Information for Evaluation and Choice (pp. 62-85)
Russo, J. The Decision to Use Product Information at the Point of Purchase. In R. Stampfl & E.
Hirschman (eds.) Theory in Retailing: Traditional and Nontraditional Sources. Chicago: American
Marketing Association, 1981.

Wednesday 3/14   SENSEMAKING

Carroll, J. S. Organizational learning activities in high-hazard industries: The logics underlying self-
Monday 3/19    QUIZ (open book, open notes, open mind)

Wednesday 3/21 No class - Sloan School Spring vacation

Monday 3/26 and Wednesday 3/28   Spring Break !!

Monday 4/2    DECISION ANALYSIS AND DECISION AIDS


Wednesday 4/4 CREATIVITY (Film: IDEO)

Hogarth, Ch. 8

Monday 4/9    NEGOTIATION


Wednesday 4/11 NEGOTIATION AND MARKETS


Monday 4/16    PATRIOTS’ DAY HOLIDAY!

Wednesday 4/18 GROUP DECISION MAKING: CONFORMITY AND INFLUENCE

Plous Ch. 17: Social Influences and Ch. 18: Group Judgments and Decisions

Monday 4/23    GROUP DECISION MAKING: DECISION RULES


**Wednesday 4/25 ORGANIZATIONAL POLITICS**


**Monday 4/30 ORGANIZATIONAL DECISION MAKING**


**Wednesday 5/2 LEARNING FROM EXPERIENCE**

Plous Ch. 20: Self-Fulfilling Prophecies

**Monday 5/7 LEARNING FROM EXPERIENCE (Fishbanks game)**


**Wednesday 5/9 DYNAMIC DECISION MAKING (Fishbanks debrief)**

**Monday 5/14 TEAM PRESENTATIONS #1 (each team gives a 10-minute report)**

**Wednesday 5/16 TEAM PRESENTATIONS #2 AND COURSE SUMMARY**

**Monday 5/21 Written Team Reports Due**